

United States Senate

WASHINGTON, DC 20510

January 12, 2023

The Honorable Gina Raimondo
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Dear Secretary Raimondo:

We share your concerns about the threat posed to U.S. national security by unfair trade in electrical steel derivative products and urge you to take steps to address improper imports of these derivative products and ensure the security of our nation's transformer supply chain.

The unfair importation of downstream Grain Oriented Electrical Steel (GOES) products have undercut investments in domestic electrical steel and threatened the security of our transformer supply chain. The impact of these downstream imports has injured Cleveland-Cliffs, the sole remaining producer of electrical steels, including GOES and Non-Oriented Electrical Steel (NOES), in North America. Cleveland-Cliffs has recently made investments to optimize GOES and NOES production at its existing facilities in response to recent, positive market developments.¹ However, American companies remain resistant to making additional and major investments in domestic electrical steel production capabilities while unfair trade loopholes remain.

To halt unfair trade practices and support domestic manufacturing of electrical steels, the Commerce Department must follow through on its findings that the unfair imports of downstream GOES products, such as laminations and cores from Canada and Mexico, poses a national security threat to the United States.²

Despite having this report in hand, the previous administration chose not to act to add GOES laminations and cores to its list of Section 232 tariffs. The failure of the previous administration to take action in defense of American industry has allowed for the continued circumvention of the Section 232 tariff and quotas that apply to electrical steel produced in Zanesville, Ohio, and Butler, Pennsylvania. The transformer supply chain is critical to our national security, and as such, we must maintain domestic production capacity for all of the key materials in the transformer supply chain, including GOES. Therefore, we urge you to revisit the Department's October 2020 report and recommend to the President that downstream GOES laminations and cores be added to the Section 232 relief measures.

The problem of unfair trade in electrical steels has worsened. In fact, the values of laminations

¹ <https://www.clevelandcliffs.com/news/news-releases/detail/564/cleveland-cliffs-introduces-new-motor-max-non-oriented>

² "The Effect of Imports of Transformers and Transformer Components on the National Security." October 15, 2020. [Final Report, U.S. Department of Commerce, Bureau of Industry and Security, Office of Technology Evaluation.](#)

and core imports from China through Canada and Mexico have increased 262 percent on an annualized basis since 2017 and 38 percent in the past year. Imports of GOES coils also spiked in 2021, with an increase of 37 percent over 2020. Electric utilities and other stakeholders are raising concerns about the potential shortage of power and distribution transformers and GOES, absent efforts to address the imports of these derivative products. Demand for GOES has risen in the past year as foreign producers in China, Japan, and South Korea have begun consuming their excess production in home markets and have switched some of their GOES production capacity to NOES production to support the electrification of vehicles.

Without strong actions by the Biden administration to address these downstream product trade distortions and provide a degree of assurance that unfair trade will not be permitted to once again decimate the U.S. electrical steel market, domestic investment to expand GOES production will not likely occur. By taking action now, the Biden Administration can help support additional investment to increase U.S. production of these materials – a win for national security, domestic industry, and American workers.

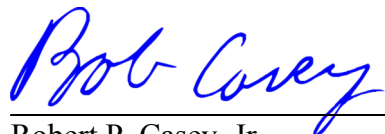
We urge you to revisit the October 2020 report and take the necessary steps to recommend GOES laminations and cores be added to the Section 232 relief measures to ensure continued, robust domestic production of GOES and NOES. Further, we urge you to discuss this matter with industry stakeholders, including Cleveland-Cliffs, to inform next steps essential to our goals of not only protecting our national and economic security interests, but also in electrifying the nation's vehicle fleet and greening the electric grid.

Thank you in advance for your attention to this issue.

Sincerely,



Sherrod Brown
United States Senator



Robert P. Casey, Jr.
United States Senator